

Compensation Report 2020

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01 Introduction

The compensation report has been prepared in accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations (OAEC), the standard relating to information on Corporate Governance of the SIX Swiss Exchange, and the principles of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

The compensation report discloses the compensation of the members of the Board of Directors and Executive Committee for fiscal years 2019 and 2020. In addition, the shareholdings of the Board and Executive Committee (disclosed in accordance with the Swiss Code of Obligations) are presented in the notes to the separate financial statements of Comet Holding AG on page 114, and the expense for compensation (disclosed in accordance with International Financial Reporting Standards) is presented in the consolidated financial statements of Comet Holding AG on page 101.

02 Compensation governance

02.1 OAEC-related provisions under the Bylaws

Sections 21 to 28 of the Bylaws govern compensation approval, the compensation of the Board of Directors and Executive Committee, the composition of performance-based compensation, and the terms of stock awards.

Every year, the Board of Directors submits to the Annual Shareholder Meeting for approval its proposals for the maximum aggregate amounts of compensation of the Board of Directors and of the Executive Committee.

Compensation-related provisions are specified in the Bylaws and implemented in corresponding regulations of the Comet Group.

Shareholders' say on pay

Under the OAEC and the Bylaws of Comet Holding AG, the amounts of the respective aggregate compensation of the Board of Directors and Executive Committee require shareholder approval in a binding vote at the Shareholder Meeting. Specifically, under section 21 of the Bylaws of Comet Holding AG, shareholders vote on the following:

- The compensation of the Board of Directors for the coming term of office
- The fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- The performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

The prospectively binding voting in combination with retroactive approval of the performance-related remuneration give shareholders an extensive "say on pay".

02.2 Nomination & Compensation Committee

The Nomination & Compensation Committee (NCC) is made up of two members of the Board, who are elected to the Committee yearly by the Annual Shareholder Meeting. In the year under review these members were Mariel Hoch (chair) and Rolf Huber.

The term of office is one year. Re-election for consecutive terms is permitted. The NCC prepares all agenda items related to the nomination and compensation of the members of the Board of Directors and Executive Committee. The NCC itself does not make decisions, but prepares proposals for the approval of the Board of Directors.

The Committee has the following responsibilities in particular:

- Address both the compensation policy for the remuneration of the Board of Directors and Executive Committee, and the Comet Group's compensation structure
- Prepare the compensation report and support the Board of Directors in preparing resolutions for the Annual Shareholder Meeting for the approval of compensation
- Develop proposals for guidelines for the compensation of the Board of Directors and Executive Committee
- Review stock ownership plans and recommend adjustments as appropriate
- Propose new Board members and the Chief Executive Officer for appointment
- Provide support to the CEO in evaluating candidates for the Executive Committee

Additional responsibilities may be assigned to the Committee as required. The NCC convenes for at least two regular meetings per year. The NCC may hold additional meetings at its discretion. The Committee may invite other Board members, Executive Committee members and specialists to its meetings as required.

In the year under review, the Committee held five regular and five special, virtual meetings, all of which were attended by both of its members. In an advisory role, the Chairman of the Board, the CEO and the Global Head of Human Resources also attended. The members of the Executive Committee do not attend the compensation-related Board meetings and do not have a say in their compensation. The NCC chair briefs the Board of Directors on the NCC's activities at the next Board meeting.

02.3 Decision authority and responsibility for compensation

The design and regular review and evaluation of the compensation system are the responsibility of the NCC.

Subject to the limits of the maximum aggregate amounts approved by the Annual Shareholder Meeting, the Board of Directors annually prepares the compensation proposals, as follows:

Decision on	CEO	NCC	Board of Directors	Shareholder Meeting
Compensation policy and guidelines under the Bylaws		Proposes	Approves	
Maximum aggregate compensation of the Board of Directors		Proposes	Reviews	Binding vote
Individual compensation of Board members		Proposes	Approves	
Fixed compensation of the CEO		Proposes	Approves	Binding vote as part of vote on aggregate fixed compensation of Executive Committee
Fixed compensation of the other members of the Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate fixed compensation of Executive Committee
Profit-sharing and LTIP plans of the CEO		Proposes	Approves	Binding vote as part of vote on aggregate variable compensation of Executive Committee
Profit-sharing and LTIP plans of the other members of the Executive Committee	Proposes	Reviews	Approves	Binding vote as part of vote on aggregate variable compensation of Executive Committee

On behalf of the Board of Directors, the external audit firm verifies whether the quantitative disclosures on compensation, loans and other credit made in the compensation report pursuant to sections 14–16 OAEC comply with the law and the OAEC.

02.4 Determination of compensation

02.4.1 Compensation of the Board of Directors

The amounts of Board members' compensation are set to reflect the industry environment and are regularly reviewed against benchmarks. The latest such review was performed in fiscal year 2017. The compensation details are specified in a Board-approved compensation plan in the form of a set of regulations.

02.4.2 Compensation of the Executive Committee

The NCC prepares a specific proposal for the amounts of the individual fixed compensation of the CEO and each of the other Executive Committee members, for approval by the full Board of Directors. The CEO recommends the amounts of fixed compensation for the other Executive Committee members to the NCC. The NCC also bases its proposals on general experience and on levels of compensation at peer companies.

The full Board of Directors periodically reviews, sets and approves the compensation levels, based on the proposal of the NCC. The latest such review was performed in fiscal year 2020 with support from an internationally recognized consulting firm. The review involved a benchmarking assessment of total direct compensation levels for positions included in the Executive Committee.

In 2020, the NCC also conducted an overall review of the compensation structure with the support of an external Swiss-based executive compensation and governance adviser.

The profit-sharing compensation is based on the regulations approved by the Board of Directors.

03 Compensation principles

- 03.1 Compensation of the Board of Directors
- To ensure the independence of the Board of Directors in its supervision of the Executive Committee, the Board members receive only a fixed retainer, of which two-thirds is paid in cash and one-third is paid in stock. Hence, the compensation system for the Board of Directors does not have a performance-based element. The stock is subject to a holding period of three years from the date of the award during which it cannot be sold. The reported compensation includes the cash portion of the retainer, the value of the stock portion, and the employer contributions to social security plans.
- 03.2 Compensation of the Executive Committee
- The compensation system is designed to attract and retain excellent management and specialist staff.
- The Comet Group seeks to set compensation levels that reflect the individual levels of skills and responsibility in the Group and that bear comparison with other employers competing with it for talent. This aim is supported by a fair system of remuneration designed to match levels of pay offered by listed peer companies.
- The remuneration consists of fixed compensation and a performance-based, profit-sharing component. The total compensation takes into account the recipient's position and level of responsibility. The profit-sharing compensation of the Executive Committee members is in the form of a short-term incentive plan (STIP) and a long-term incentive plan (LTIP). Two-thirds of the compensation under the STIP is paid in cash and one-third of it is paid in stock. The compensation under the LTIP is paid only in stock. The total variable compensation (STIP and LTIP combined) is capped by an upper limit.
- The compensation elements thus take into account short-term and long-term aspects of sustainable company performance and development. The Comet Group is confident that its remuneration architecture creates an effective link between compensation and performance that generates lasting value for shareholders.
- Employer contributions to social security plans are disclosed separately. The members of the Executive Committee have employment agreements with a notice period of not more than nine months. No signing (hiring) bonuses or termination benefits are provided.
- 03.3 Stock-based compensation (STIP and LTIP)
- The Company's stock-based compensation for the Executive Committee members consists of the STIP and LTIP and is designed to heighten the commitment of the CEO and the other Executive Committee members. The requirement for this group of individuals to draw part of their profit-sharing compensation in stock is detailed in a separate set of regulations. The grant price, at which the stock is awarded and transferred to recipients, is the average closing market price of the stock in the period between (and excluding) the date of the annual results press conference and the date of the Annual Shareholder Meeting.

The stock transferred under the STIP is subject to a holding period of three years from the date of the award, during which it cannot be sold. However, all other shareholder rights are effective during the holding period, including rights to dividends and similar distributions and the right to participate in Shareholder Meetings. Except as otherwise required by law, in the event of an attempted change of control of Comet Holding AG the holding period on stock ends when a public tender offer is validly made. The holding period remains in place in all other cases, including in the event of termination. The stock awarded under the LTIP does not have a holding period.

04 Structure of the compensation system

The compensation system, which applies worldwide, governs the profit-sharing compensation for all eligible employees. The details of the system are set out in Board-approved regulations. In the year under review, the profit-sharing criteria under the STIP were the sales growth and net income of the Comet Group. The members of the Board of Directors receive only a fixed retainer.

04.1 Compensation system for the Board of Directors

Every year, the Board of Directors submits its proposal for the maximum aggregate amount of Board compensation to the Annual Shareholder Meeting for approval.

04.1.1 Fixed retainer

For their service on the Board of Directors, the Board members receive a fixed retainer. A flat expense allowance is provided, which is paid in cash.

04.1.2 Stock compensation

Two-thirds of the fixed retainer is paid in cash and one-third is paid in stock. The stock awarded is subject to a holding period of three years during which it cannot be sold.

Overview of Board of Directors compensation structure:

In CHF (gross)

	Cash portion of retainer (two-thirds)	Stock portion of retainer (one-third)	Total reported value of compensation	Flat expense allowance (additional)
Chairman of the Board	132,000	66,000	198,000	8,000
Member of the Board	66,000	33,000	99,000	4,000

Additionally, the actual employer contributions to social security plans are paid.

04.1.3 **Joining and departure of members of the Board of Directors**

The Board members' normal term of office begins on the date following the day of the Annual Shareholder Meeting that elects them and ends on the date of the next Annual Shareholder Meeting. When a new member joins the Board of Directors, the compensation is paid on a pro-rated basis from the day of election. If a member leaves the Board before the end of a term, the retainer is calculated on a pro-rated basis to the date of departure. In the case of pro-rated retainers as well, two-thirds is paid in cash and one-third is paid in stock.

04.2 Compensation system for employees

The compensation system for the employees of the Comet Group (including the Executive Committee) has two main elements: All employees receive fixed compensation, and employees eligible for profit-sharing under the STIP may earn a performance-based pay component.

04.2.1 **Calculation of total profit-sharing pool**

The total amount of STIP profit-sharing compensation is determined as a percentage of the consolidated net income of the Comet Group. This percentage rate is dependent upon the Group's rate of sales growth compared with the prior year. For fiscal year 2020 the percentage rate was determined according to the following model, unchanged from the prior year:

Sales growth	Percentage of net income
Less than 5%	15%
5% – 15%	Linear increase between 15% and 25%
More than 15%	25%

At least 80% of the profit-sharing pool is allocated among the employees (including the members of the Executive Committee), using a general allocation formula. Up to an aggregate maximum of 20% of the profit-sharing pool may be allocated selectively to individual employees (including the members of the Executive Committee), using an individual allocation formula. This is to enable the Board and the CEO to recognize individual performance distinctively. Performance is evaluated by the Board and CEO at the end of the fiscal year, and a decision is made on whether to allocate part or all of the 20% individual allocation pool to individual employees. The unused portion of the individual allocation pool is also distributed by the general allocation formula. The Board of Directors did not allocate any of the 20% individual allocation pool in the reporting year.

04.2.2 **Compensation groups and calibration**

The employees eligible for profit-sharing are assigned to one of five compensation groups. These five groups consists of the CEO, the other members of the Executive Committee, and (subdivided into three groups) the other eligible employees. Each compensation group is assigned a different multiplier. Within a given compensation group, the same multiplier is used for each member of the group. This multiplier together with the gross annual base salary provides for the respective share assigned to the employee in the allocation of the total profit-sharing pool. The values of the multipliers are set by the Board of Directors of Comet Holding AG. For each employee, the respective share of the total profit-sharing pool can thus be calculated, based on the individual's position (which determines the assignment to a compensation group) and gross annual base salary.

The Board of Comet Holding AG has the authority to adjust the calibration of the profit-sharing so as to reflect the performance of the Comet Group. When doing so, the Board ensures the adjustment is fair

to all participants. The calibration is normally reviewed every three years and adjusted if appropriate. No such adjustment was made in the fiscal year.

04.2.3 Precondition for payment of profit-sharing compensation

A precondition for paying any profit-sharing compensation is that, after the accrual of this distribution, the Comet Group is still able to report positive consolidated net income.

04.3 Compensation system for the Executive Committee

The compensation of the Executive Committee is specified in Board-approved regulations. Every year, the Board of Directors submits its proposals for the maximum aggregate amounts of Executive Committee compensation to the Annual Shareholder Meeting for approval, specifically:

- Prospectively, the fixed compensation of the Executive Committee for the next fiscal year after the year of the Annual Shareholder Meeting
- Retrospectively, the performance-based compensation of the Executive Committee for the last fiscal year before the year of the Annual Shareholder Meeting

To any new member joining the Executive Committee during a period for which the Shareholder Meeting has already approved the compensation, Comet Holding AG or its subsidiaries are authorized to pay an additional amount if the already approved maximum aggregate amount is not sufficient to cover the compensation. The aggregate additional amount per compensation period must not exceed 40% of the approved maximum aggregate amount of compensation of the Executive Committee.

The compensation system is structured as follows:

Type of compensation	Form of delivery	Purpose	Drivers
Fixed compensation	Monthly payment in cash	Pay for position	Nature and level of position, individual qualifications, market conditions
Short-term Profit-sharing plan (STIP)	Annual payment in cash	Profit-sharing based on corporate financial results	Corporate financial results in terms of profitable growth
Short-term Profit-sharing plan (STIP)	Annual payment in stock (with holding period)	Long-term alignment with interests of shareholders	Corporate financial results in terms of profitable growth
Long term incentive plan (LTIP)	Annual payment in stock (without holding period)	Long-term alignment with interests of shareholders	Corporate financial results relative to the peer group in terms of achievement of two performance targets for growth and profitability over a 3 year period
Social benefits	Company pension, social security contributions, short-term disability and accident insurance	Risk protection	Local legislation and voluntary benefits in line with market
Flat expense allowance	Monthly payment in cash Costs paid directly by company	Defraying of minor expenses	Local legislation, tax authorities
Benefits in kind	or reimbursed in cash	Pay for position	Local market practice

04.3.1 Fixed compensation

All members of the Executive Committee receive fixed compensation that is paid monthly, as well as a flat expense allowance. The fixed compensation is determined by the individual's amount of responsibility, role, performance, experience and skills, and by local market conditions. These elements of compensation are paid in cash.

04.3.2 Short-term profit-sharing compensation (STIP)

In addition to the fixed compensation, the profit-sharing plan provides a performance-related short-term incentive pay component (STIP), of which one-third is paid in stock. The stock awarded is subject to a holding period of three years during which it cannot be sold. The balance of the STIP amount is paid in cash.

Calculation of short-term profit-sharing compensation (STIP)

An individual Executive Committee member's share of the total profit-sharing pool (under the STIP) is calculated using the following model:

a) Calculation of individual's percentage share of total profit-sharing pool

$$\frac{\text{Gross base salary of employee} \times \text{multiplier} \times 100}{\text{Total weighted gross salaries of all staff}^1} = \% \text{ share of total profit-sharing pool}$$

¹ Represents the aggregate of the multiplier-weighted gross salaries of all employees and the retainers of the Board of Directors.

b) Calculation of effective profit-sharing compensation

% share of total profit-sharing pool × amount of profit-sharing pool that is actually distributed

The calculation of an individual's effective profit-sharing compensation is based on that portion of the total profit-sharing pool which has been allocated by the general allocation formula. In addition to that general portion, the Board of Directors may award an individual share of profit. Profit-sharing awards to the CEO and the other members of the Executive Committee are approved by the Board, with ratification by the shareholders at the Annual Shareholder Meeting as part of the binding retrospective vote on the compensation of the Executive Committee.

Joining and departure of Executive Committee members

Members joining the Executive Committee intra-year participate in profit-sharing on a pro-rated basis. In the event of departures from the Executive Committee, the amount due is calculated based on the approved consolidated financial statements and is paid out in stock and cash upon approval of the profit-sharing compensation by the Annual Shareholder Meeting.

Terms of employment

The members of the Executive Committee have employment agreements with a notice period of not more than nine months. There is no entitlement to termination benefits of any kind, nor any provision in case of a change of control except for the waiving of the remaining holding period on the stock awarded under the STIP and LTIP.

04.3.3 Long-term profit-sharing compensation (LTIP)

The aim of the LTIP, which was introduced in fiscal year 2017, is to tie the CEO and the other members of the Executive Committee more closely to the company and to strengthen the alignment of part of their compensation with the achievement of long-term corporate targets. Stock transferred under the LTIP does not have a holding period.

Structure of the LTIP

The amount of the LTIP compensation is dependent on the value of the stock earned as short-term profit-sharing compensation (STIP) in the previous three years. LTIP stock is granted each year based on the extent to which the performance targets for the previous three years were achieved. The LTIP amount is based on performance against the following two targets:

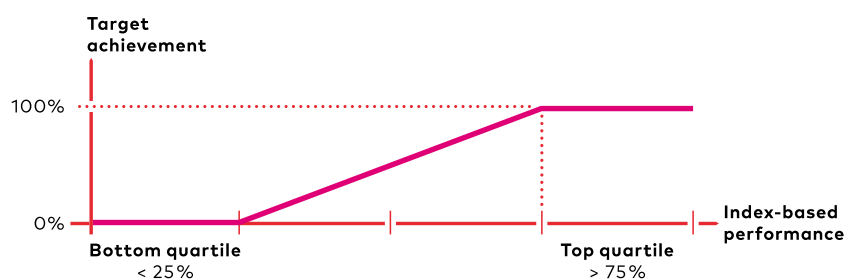
- a growth target (T1), and
- a profitability target (T2)

Target achievement is measured relative to a group of 13 listed Swiss manufacturing companies similar to the Comet Group in revenue size and market cap.

Autoneum Holding AG	Interroll Holding AG	Rieter Holding AG
Feintool International Holding AG	Kardex Holding AG	Tecan Group AG
Gurit Holding AG	Komax Holding AG	u-blox Holding AG
Huber+Suhner AG	Phoenix Mecano AG	VAT Group AG
INFICON Holding AG		

Calculation of the LTIP

For both targets, target achievement is assessed by measuring the index-based relative performance, thus comparing the Comet Group's performance with that of the companies in the peer group. The degree of target achievement is 0% if the Comet Group's result ranks in the bottom quartile of the index (i.e., among the 25% of companies with the lowest performance). Target achievement is 100% (the maximum) if the result attained is in the top quartile of the index (i.e., in the top 25% of all companies). If the result lies between these two outcomes, the percentage of target achievement is interpolated on a straight-line basis between 0% and 100%.



The value of the stock granted under the LTIP is based on the average annual achievement of the two performance targets (T1 and T2, in percent) multiplied by the average annual value of the stock (VS) actually transferred to employees in the preceding three years as STIP short-term profit-sharing compensation, multiplied by a calibration factor C:

$$\text{LTIP} = (T_1 + T_2) \cdot V_s \cdot C$$

Growth target T₁: The growth target is defined in terms of the compound annual growth rate (CAGR) of sales for the respective last three years. The performance on this metric is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the growth target is measured by the relationship of the average CAGR of the Comet Group over the last three years to the results of the peer group.

Profitability target T₂: The profitability target is defined in terms of the average ratio of ROCE to WACC for the respective last three years (ratio of return on capital employed to weighted average cost of capital). The performance on this metric is compared with that of the peer group (a group of manufacturing firms listed on the Swiss stock exchange). The achievement of the profitability target is measured by the relationship of the average ROCE/WACC ratio of the Comet Group over the last three years to the results of the peer group.

Calibration factor C: The calibration factor is set by the Board of Directors. The calibration is normally reviewed every three years and, when necessary, adjusted so that the long-term incentive corresponds to the performance of the company and the purpose of the LTIP. When doing so, the Board ensures the adjustment is fair to all participants.

Calculation of the value V_s of the average annual amount of STIP stock transferred:

The amount of stock transferred under the LTIP is based on the value of the stock transferred under the short-term profit-sharing plan

(STIP) over the last three years. That value of transferred STIP stock is measured as of the time of its transfer.

For determining the amount of LTIP stock to be transferred in year n , the underlying average annual value of STIP stock, V_s , is calculated as follows:

$$V_s = \frac{1}{3} (V_{n-2} + V_{n-1} + V_n)$$

Where V_{n-2} represents the value of the stock transferred in year $n-2$, V_{n-1} represents the value of the stock transferred in year $n-1$, and V_n represents the value of the stock transferred in year n .

Determination of target achievement

Target achievement is determined at the end of each year. As the data for the peer group companies only becomes available with a time lag, the current year-end data for the Comet Group is compared with that data for the peer group which is available at December 31.

Intra-year joining or departure

The amount of stock to be transferred under the LTIP is based on the amount of stock already transferred under the short-term profit-sharing plan and is thus inherently pro-rated in the case of an intra-year hire or promotion. Employees who have given or received notice of termination of employment are not entitled to the LTIP compensation for the year of their departure.

Disbursement of the LTIP

The long-term profit-sharing compensation is disbursed on the basis of the approved consolidated financial statements and the approval of the profit-sharing compensation by the Annual Shareholder Meeting of Comet Holding AG in the subsequent year.

Changes of control

In the event of a public tender offer for the stock of Comet Holding AG, the LTIP compensation for the fiscal years that are not yet compensated under the LTIP at the time the public tender offer is validly made is paid entirely in cash instead of stock.

04.3.4 Upper limit for profit-sharing compensation

There are individual upper limits on the total profit-sharing compensation of the CEO and the other members of the Executive Committee. The upper limit thus caps the individual's combined total of STIP and LTIP profit-sharing compensation. For the CEO this maximum (the upper limit for the combined total of STIP compensation and LTIP stock) is 200% of the fixed compensation. For each of the other members of the Executive Committee, this upper limit for the combined total of STIP compensation and LTIP stock is 150% of the fixed compensation.

05 Disclosure of compensation of the Board of Directors and Executive Committee

The following disclosures represent all compensation of the members of the Board of Directors and Executive Committee and their related parties¹ for fiscal years 2019 and 2020, disclosed in accordance with the Ordinance Against Excessive Compensation at Listed Companies (OAEC). Further details on the included individuals and their positions in the Group are provided in the corporate governance section of this annual report.

¹ Related parties are persons outside the Comet Group who are related to members of the Board of Directors or Executive Committee within the meaning of section 678 of the Swiss Code of Obligations by virtue of close personal or economic ties in law or in fact.

The compensation of the Board of Directors is set at the Annual Shareholder Meeting for a period of one year. As the Board's term of office does not match the fiscal year, the compensation stated in the annual report may differ from the pre-set amount.

05.1 Current members of the Board of Directors (including related parties)

The 2020 Annual Shareholder Meeting had prospectively approved an aggregate amount of CHF 700,000 (prior year: CHF 870,000) for the term of office ending at the 2021 Annual Shareholder Meeting. The actual compensation in fiscal year 2020 was CHF 686,777. The amount of the Board's compensation was lower than in the prior fiscal year due to a reduction in the number of Board members.

Fiscal year 2020 in CHF (gross)	Total cash compensation (1)	Stock compensation (2)	Total before social security contributions	Social security contributions (3)	Total compensation
1/1/2020 to 4/23/2020					
Christoph Kutter, member	22,000	—	22,000	—	22,000
Franz Richter, member	22,000	—	22,000	—	22,000
1/1/2020 to 12/31/2020					
Heinz Kundert, Chairman	132,000	66,000	198,000	13,968	211,968
Rolf Huber, Vice Chairman	66,000	33,000	99,000	8,702	107,702
Gian-Luca Bona, member	66,000	33,000	99,000	8,702	107,702
Mariel Hoch, member	66,000	33,000	99,000	8,702	107,702
Patrick Jany, member	66,000	33,000	99,000	8,702	107,702
Board of Directors, total	440,000	198,000	638,000	48,777	686,777

Fiscal year 2019 in CHF (gross)	Total cash compensation (1)	Stock compensation (2)	Total before social security contributions	Social security contributions (3)	Total compensation
1/1/2019 to 4/25/2019					
Hans Hess, Chairman	44,000	0	44,000	3,954	47,954
Lucas A. Grolimund, Vice Chairman	22,000	0	22,000	1,977	23,977
4/25/2019 to 12/31/2019					
Heinz Kundert, Chairman	88,000	66,000	154,000	11,309	165,309
Patrick Jany, member	44,000	33,000	77,000	6,443	83,443
Christoph Kutter, member	44,000	33,000	77,000	0	77,000
1/1/2019 to 12/31/2019					
Rolf Huber, member; Vice Chairman from April 25, 2019	66,000	33,000	99,000	8,420	107,420
Gian-Luca Bona, member	66,000	33,000	99,000	8,420	107,420
Mariel Hoch, member	66,000	33,000	99,000	8,420	107,420
Franz Richter, member	66,000	33,000	99,000	0	99,000
Board of Directors, total	506,000	264,000	770,000	48,943	818,943

1. The compensation consists of a fixed retainer; two-thirds of it is paid in cash and disclosed in this item.
2. This item represents the one-third of the fixed retainer which is paid in stock. The actual transfer of the stock occurs in the subsequent year. The stock is subject to a holding period of three years from the date of the award, during which it cannot be sold.
3. This item represents employer contributions to social security plans and to the family allowance fund. No pension fund contributions, short-term disability insurance premiums or accident insurance premiums are paid.

Related party transactions

In the fiscal year there were no transactions with related parties (prior year: no such transactions).

05.2 Current members of the Executive Committee (including related parties)

A total of eight persons served as Executive Committee members during fiscal year 2020. On average for the fiscal year, this represented 5.8 full-time equivalents (prior year: 8.6). The compensation of the members of the Executive Committee for which an expense was accrued is presented in the table below.

The 2019 Annual Shareholder Meeting had prospectively approved an aggregate amount of CHF 3,500,000 for the fixed compensation for fiscal year 2020. The actual aggregate fixed compensation (including proportionate social security contributions and benefits in kind) reported for fiscal year 2020 was CHF 2,121,308. This amount is within the limits approved by shareholders for the fiscal year.

Further, for the prior fiscal year 2019, the 2020 Annual Shareholder Meeting retrospectively approved the proposed aggregate amount of CHF 343,980 for profit-sharing compensation of the Executive Committee (including proportionate social security contributions). This was paid out in May 2020, including 31% that was paid in stock (prior year:

43% in stock). The profit-sharing compensation of the Executive Committee (including proportionate social security contributions) for 2020 amounts to CHF 595,101 and will be submitted to shareholders' vote at the 2021 Annual Shareholder Meeting.

in CHF (gross)		Executive Committee total (1)		Highest compensation (2)	
Fiscal year	Footnote	2020	2019	2020	2019
Fixed compensation	(3)	1,529,849	2,284,101	300,000	480,000
Short-term incentive compensation (STIP), cash portion	(4)	307,774	190,112	64,572	61,767
Total cash compensation		1,837,623	2,474,213	364,572	541,767
Short-term incentive compensation (STIP), stock portion	(5)	153,887	95,055	32,286	30,884
Long-term incentive compensation (LTIP)	(6)	3,437	5,021	1,040	1,840
Total stock compensation		157,324	100,076	33,326	32,724
Total benefits in kind	(7)	12,553	12,553	–	6,300
Total expenses for long-term benefits	(8)	383,097	592,666	90,773	164,858
Total compensation		2,390,597	3,179,508	488,671	745,649

- The Executive Committee included the following members during fiscal year 2020, some of whom served for only part of the year: Heinz Kundert, Kevin Crofton, Eric Dubuis, Stephan Haferl, Michael Kammerer, Elisabeth Pataki, Keighley Peters and Thomas Wenzel. During fiscal year 2019, the Executive Committee included the following members, some of whom also served for only part of the year: Heinz Kundert, René Lenggenhager, Eric Dubuis, Stephan Haferl, Prisca Hafner, Michael Kammerer, Markus Portmann, Thomas Wenzel and Beat Malacarne.
- Michael Kammerer, President of Plasma Control Technologies, was the Executive Committee member with the highest individual compensation for 2020. René Lenggenhager, CEO until June 21, 2019, was the Executive Committee member with the highest individual compensation in 2019. In the table above, the compensation for these two individuals is both disclosed separately and included in the total compensation of the Executive Committee.
- For their work the members of the Executive Committee receive a fixed compensation component, which is paid in cash. This item comprises the fixed compensation of all Executive Committee members who served during all or part of the fiscal year. This item also includes any other, one-time cash compensation, such as length-of-service awards.
- This item includes the portion of the STIP compensation paid in cash for 2020 and 2019, which is calculated based on the criteria of the compensation system. The actual payment occurs in the respective subsequent year.
- This item represents the portion of the STIP compensation paid in stock for 2020 and 2019. The actual transfer of the stock occurs in the respective subsequent year. The stock is subject to a holding period of three years from the date of the award, during which it cannot be sold.
- This item represents the LTIP compensation awarded for 2020 and 2019, all of which is paid in stock. The actual transfer of the stock occurs in the respective subsequent year.

7. This item represents the annual cost of public ground transportation for two members of the Executive Committee for 2020 and 2019.
8. This item represents employer contributions to the governmental social security plans (for Executive Committee members in Switzerland, these are the old age and survivors (AHV) and unemployment insurance plans (ALV) as well as the family allowance fund (FAK)), to the employee pension plans and to the short-term disability insurance and accident insurance plans.

The amounts set out in the table above are not identical to the taxable income of the Executive Committee members, as the total compensation for the purposes of section 663 of the Code of Obligations includes employer social security contributions. The aggregate profit-sharing compensation (including proportionate social security contributions) reported for 2020 is CHF 595,101. The profit-sharing compensation of the Executive Committee members for 2020 will be paid out after its retrospective approval by shareholders at the 2021 Annual Shareholder Meeting.

Compensation mix

The average percentage of total compensation paid to members of the Executive Committee as fixed compensation in fiscal 2020 was 76% (excluding proportionate social security contributions) and 24% was variable. Therefore, the variable compensation amounted to 32% of fixed compensation. Of the variable compensation of the Executive Committee members, 33% was paid in stock. For the highest-paid member of management, the percentage of total compensation paid as fixed compensation was 75% (excluding proportionate social security contributions) and 25% was variable. Therefore, the variable compensation amounted to 33% of fixed compensation. Of the variable compensation, 33% was paid in stock.

05.3 Former members of the Board of Directors and Executive Committee (including related parties)

Former members of the Executive Committee are those members who were no longer active in the fiscal year but who, as a result of notice periods under their employment contracts, still received compensation.

in CHF (gross)	Executive Committee total (1)	
	2020	2019
Fiscal year		
	Footnote	
Fixed compensation	182,500	171,667
Short-term incentive compensation (STIP), cash portion	(2) 55,914	13,437
Total cash compensation	238,414	185,104
Short-term incentive compensation (STIP), stock portion	(3) 27,957	6,719
Long-term incentive compensation (LTIP)	—	—
Total stock compensation	27,957	6,719
Total benefits in kind	(4) —	68,831
Total expenses for long-term benefits	(5) 62,877	53,100
Total compensation	329,248	313,754

1. In the fiscal year, compensation was paid to two former Executive Committee members: René Lenggenhager and Prisca Hafner (in 2019, compensation was paid to the following two former Executive Committee members: Detlef Steck and Thomas Polzer).
2. This item includes the portion of the STIP compensation paid in cash for 2020 and 2019, which is calculated based on the criteria of the compensation system.
3. This item represents the portion of the STIP compensation paid in stock for 2020 and 2019. The actual transfer of the stock occurs in the respective subsequent year. The stock is subject to a holding period of three years from the date of the award, during which it cannot be sold.
4. In 2019, one member of the Executive Committee was reimbursed for expenses in connection with an international equalization of tax and of social security benefits, as well as receiving an amount toward additional travel and living expenses.
5. This item represents employer contributions to the old age and survivors (AHV) and unemployment insurance plans (ALV), to the family allowance fund (FAK), to the employee pension plans and to the short-term disability insurance and accident insurance plans.

05.4 Supplementary information on compensation

In 2020 no signing bonuses were paid to present or former members of the Board of Directors or of the Executive Committee and no termination benefits were granted or paid.

No loans or other credits were granted in the year under review, and no loans or other credits were outstanding at the balance sheet date. The Comet Group has not provided any guarantees or other security. The members of the Board of Directors and the Executive Committee did not receive benefits in kind. No material changes related to compensation have occurred after the balance sheet date of December 31, 2020.

05.5 Interim management contracts

There were no interim management contracts in 2020.

06 Disclosure of shareholdings of the Board of Directors and Executive Committee

As of December 31, 2020, the members of the Board of Directors and Executive Committee held a combined total of 0.5% of the outstanding shares of Comet Holding AG (December 31, 2019: 1.1%).

A detailed analysis of the shareholdings of the members of the Board of Directors and Executive Committee is presented in the notes to the separate financial statements of Comet Holding AG on page 114.

07 Proposals to the 2021 Annual Shareholder Meeting for compensation of the Board of Directors and Executive Committee

At the 2021 Annual Shareholder Meeting, the Board of Directors will propose the resolutions for the compensation of the Board and the Executive Committee.

The detailed proposals and the supporting reasoning will be delivered to shareholders with the notice of the 2021 Annual Shareholder Meeting.

08 Compensation outlook for 2021

In 2020, in the context of the new strategic direction determined for the Comet Group, the Nomination & Compensation Committee (NCC) initiated a thorough review of the compensation system applicable to the Executive Committee. As part of this review, the NCC is also considering the feedback received from proxy advisors and shareholders in the past. The review of the compensation system is still ongoing at the time of publication of this report. Once the work is concluded, the results will be communicated in the next compensation report.



Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone: +41 58 286 61 11
Fax: +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
Comet Holding Ltd., Flamatt

Berne, March 12, 2021

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Comet Holding Ltd. for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in Section 05 – Disclosure of compensation of the Board and Executive Committee on pages 165 to 169 of the remuneration report.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.



Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the remuneration report for the year ended 31 December 2020 of Comet Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

ROLAND RUPRECHT
Licensed audit expert
(Auditor in charge)

PHILIPPE WENGER
Licensed audit expert